



Cleveland District Office News

Information for the Small Business Community

November 2007

U.S. Small Business Administration Cleveland District Office

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For More Information SBA Home Page: www.sba.gov

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam.
- For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- SBA Answer Desk: 1-800 U ASK SBA
- Fax: 202-205-7064
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness:
1-800-REG-FAIR

*All of the SBA's programs and services are provided to the
public on a non-discriminatory basis.*

LOAN REPORT *as of October 31, 2007*

Total Loan Volume – OCTOBER 2007 (7(a) and 504 Combined)

Bank	Number of Loans	Dollars (In Thousands)
Charter One Bank/RBS Citizens	26	\$968
National City Bank	21	\$1,763
Huntington National Bank	16	\$2,613
FirstMerit Bank	11	\$1,241
US Bank	6	\$791

504 Loans

Bank	Number of 504s
FirstMerit Bank	2
Community South Bank	1
First Financial Bank	1
Lake National Bank	1
National City Bank	1
Park View Federal Bank	1

CDC	Number of Approvals	Dollars (In Thousands)
Growth Capital Corp.	2	\$517
Lake County SBAC	2	\$758
Community Capital Corp.	1	\$628
Mentor Economic Assistance Corp.	1	\$140
West Central Partnership	1	\$115

Small Business Creates Ohio's Jobs

Small business continued to create Ohio's new jobs in 2004, according to the latest data. The updated Ohio Small Business Profile released by the Office of Advocacy of the U.S. Small Business Administration shows that small businesses added 39,200 net new jobs during the latest year studied.

Updated data and statistics on the state's small businesses are available at:

www.sba.gov/advo/research/profiles.

The updated profile also shows that:

- ◆ In 2006, the state had an estimated 920,500 small businesses, of which 223,400 were employer firms.
- ◆ Small businesses employed 49.6 percent of the state's non-farm private workforce in 2004.
- ◆ The state had 13,700 Asian-owned firms, 35,700 Black-owned firms, 7,100 Hispanic-owned firms, 3,100 Native American-owned firms, and 230 Native Hawaiian and Pacific Islander-owned firms in 2002 (latest data). (Note: cannot be totaled, as business owners chose multiple ethnic and racial categories).
- ◆ Women-owned firms totaled 230,000 and generated \$32.3 billion in revenues in 2002 (latest data).

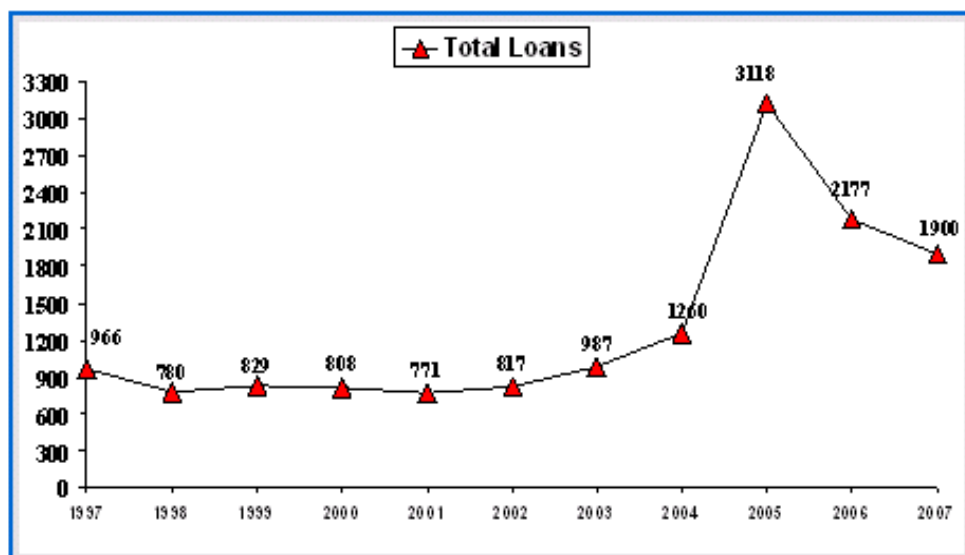
The Office of Advocacy, the "small business watchdog" of the federal government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats, and it funds research into small business issues.◆

FY '07 SBA Lending Summary

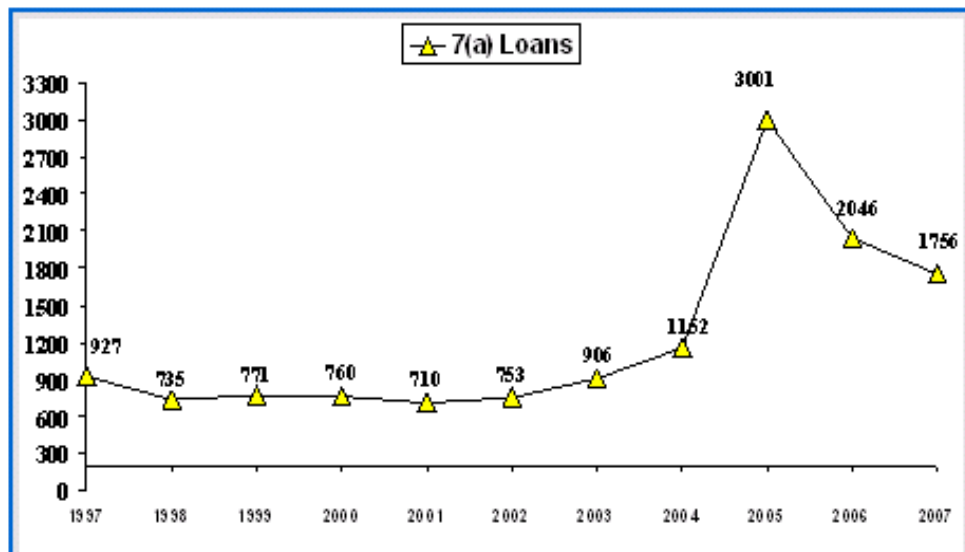
While not a record year in overall SBA lending, FY '07 was still an excellent year in Northern Ohio. Despite a drop in overall loan approvals from FY '06 levels, FY '07 brought about a record in 504 approvals for the Cleveland District Office.

We want to extend a big thank you to all of SBA's Certified Development Companies (CDCs) and participating lenders that supported our loan programs and provided Ohio's small business community with access to capital in FY 2007. We are hopeful that FY '08 will bring about new records in SBA lending, which will help spur the growth of the State's economy!◆

Cleveland District Office Fiscal Year Comparison Total Loans – FY 2007



Cleveland District Office Fiscal Year Comparison 7(a) Loans – FY 2007



News for Our Lending Partners

Expanded Eligibility for Patriot Express Pilot Loans

In developing and clearing the Patriot Express Pilot Loan Initiative to accommodate potential Department of Defense (DOD) concerns, the Agency made a late change to limit Patriot Express loan eligibility to Active Duty service members participating in DOD's Transition Assistance Program (TAP). However, SBA made this change without recognizing that language describing eligible spouses ("Current spouses of the above") would thereby be limited to current spouses of Active Duty service members participating in TAP.

It is the Agency's intention to make current spouses of all Active Duty service members **eligible** to obtain a Patriot Express loan, so the following change has been made to the Patriot Express eligibility requirements:

Current language: Borrower eligibility (which lenders must document) will be limited to businesses that meet SBA's standard eligibility requirements and that are 51 percent or more owned by an individual or individuals in one or more of the following groups:

- Veterans (other than dishonorably discharged).
- Service-Disabled Veterans.
- Active Duty Military service member participating in the military's Transition Assistance Program (TAP), which is applicable to potential retirees within 24 months of separation and to discharging Active Duty members within 12 months of discharge.
- Reservists and National Guard members
- Current spouse of above, widowed spouse of a service member who died while in service; or widowed spouse of a veteran who died of a service-connected disability.

Revised language: The fifth bullet above has been revised as follows:

- Current spouse of any Veteran (other than dishonorably discharged), any Service-Disabled Veteran, any Active Duty Military member, or any Reservist or National Guard member; widowed spouse of a service member who died while in service; or widowed spouse of a veteran (other than dishonorably discharged) who died of a service-connected disability. (*News for Our Lending Partners is continued on page 4*)

IRS Offers Relief for Late S Corporation Elections

Businesses that are eligible to elect S corporation tax treatment now have a simpler process for requesting relief for late elections, thanks to an IRS Taxpayer Burden Reduction initiative. Revenue Procedure 2007-62, announced in IRS news release IR-2007-166, outlines the new provision that permits small businesses that missed filing Form 2553, *Election by a Small Business Corporation*, before filing their first Form 1120S, *U.S. Income Tax Return for an S Corporation*, to file both forms simultaneously. The change is effective for taxable years that end on or after Dec. 31, 2007.

The requirement for filing Form 2553 to establish the election in advance of filing the initial Form 1120S remains in effect. However, the new process will save time and effort for those taxpayers who can establish reasonable cause for making a late election.

Form 2553 will be updated to reflect Rev. Proc. 2007-62, so taxpayers filing paper Forms 2553 should download the most recent revision from IRS.gov. Form 2553 can also be submitted electronically as an attachment to an e-filed Form 1120S.

To learn about IRS announcements and other IRS products and services, subscribe to IRS's e-News for Small Businesses. To see a representative sample and to start your free subscription to e-News, just go to IRS.gov at <http://www.irs.gov/businesses/small/content/0,,id=154826,00.html>, type in your e-mail address and submit. ♦

News for Our Lending Partners *(continued from page 3)*

SBA Loan Program Reform Initiative Unveiled

New processes and products to make agency more customer-friendly and results-driven

SBA Administrator Steve Preston recently announced the rolling out several major reforms to make its loan programs more effective and its products easier to use. As part of the Administrator's agenda to make SBA more goal-oriented and accountable to customers, the agency sought extensive feedback from its district offices and lending partners on ways to improve services. The result is a loan reform initiative that will increase SBA's outreach to clients in underserved markets, enhance its relationship with lending partners and strengthen its ability to help small businesses start and grow. Components of the Loan Program Reform Initiative include:

New Standard Operating Procedure (SOP)

SBA has created a new, more lender-friendly SOP that is notably shorter and better organized. The document is in the agency clearance process, and a final product is targeted for early spring. The agency intends to make it accessible electronically supported by search tools and to use it as a model moving forward with related SOPs.

Streamlined Tab System

SBA's tab system helps lenders organize their loan purchase packages by breaking down the sets of documents necessary into 45 sections. SBA is introducing a new 10-tab system for submitting purchase guaranties as an alternative to the present 45-tab format. While the 45-tab system may be used, the 10-tab system offers a reduced number of documented categories and a more intuitive flow, which should help improve package quality.

45-Day Pledge

Today, most loan purchase packages received by the SBA from lenders are incomplete and require considerable rework, causing extensive delays. SBA is offering lenders a major incentive to work with its staff to speed the loan process and eliminate errors. Every lender that submits a new, complete loan package using the 10-tab format to its National Guaranty Purchase Center in Herndon after November 1 will be informed in 45 days or less whether it will be purchased, or is likely to end in a repair or denial. Hundreds of SBA field staffers have been trained to assist lenders in the process. Lenders who are unsure how to submit a package are encouraged to call their local SBA office for assistance before sending it to Herndon. And in Herndon, SBA created a customer service center to help determine the status of a package and resolve simple questions about the guaranty process.

New, improved products and services

Recently, SBA unveiled Rural Lender Advantage, a simpler loan approval process designed to spur economic growth in America's rural communities. Part of the agency's popular 7(a) loan program, Rural Lender Advantage encourages smaller, rural lenders to partner with SBA by requiring less paperwork, offering services online, and providing greater lender support. It will soon begin in six states, but the agency expects to expand it nationwide. The agency also intends to modify its Community Express loan program so that it is simpler for lenders and borrowers to use and focused more on underserved markets. This program, which has the highest minority participation of any SBA lending product, involves a cooperative effort between SBA lenders and development resource partners to focus the agency's financial and technical assistance on distressed communities. Finally, this summer SBA announced the new Patriot Express Pilot Loan as the latest extension to the financial, procurement, and technical assistance programs the agency provides to the military community. Patriot Express is a streamlined loan product based on SBA's highly successful SBA Express Program, but with enhanced guarantee and interest rate characteristics. The agency continues to encourage lenders to participate in this exciting new service to help America's patriots start and grow businesses.

Loan processing modernization and backlog reduction

Today, SBA processes more than 100,000 loans a year, which is twice as many as it processed five years ago. Of the more than 300,000 SBA-backed loans outstanding, 1,200 are backlogged guaranty purchases that have been submitted to its National Guaranty Purchase Center. The agency is standardizing its review process, reengineering its processing centers, and bolstering its training centrally and in the field to eliminate the backlog and develop systems to prevent it from recurring, just as it did with its backlogged disaster program. ♦

If you have any questions about these important notices, please contact our Lender Relations Division at (216) 522-4180.

WARNING TO EXPORTERS

If you receive a credit card order from Singapore, check its legitimacy before you ship. The U.S. Commercial Service, American Embassy Singapore, has received multiple complaints from U.S. merchants reporting fraudulent credit card transactions committed by companies/individuals purporting to be in Singapore. The initial investigation of the fraudulent transactions has revealed that the shipments are actually being sent to freight forwarders in Singapore and diverted to unknown consignees in neighboring countries.

Warning Signs: The orders normally range from US \$5,000 to US \$30,000. The “buyer” places the order via telephone or Internet email correspondence. The “buyer” either splits the total purchase price between several cards or makes several attempts (using multiple credit card numbers) to complete the transaction. Once the transaction/credit card number(s) are accepted, the “buyer” requests immediate air shipment. Not aware of the fraud that has just occurred, the merchant complies with the customer’s request of an expedited shipment.

The U.S. Commercial Service, U.S. Immigration and Customs Enforcement, and the Singapore Police Force, Commercial Affairs Department have identified that the “Ship To” addresses are normally those of freight forwarders near Singapore’s primary air cargo and passenger airport (Changi). When the goods arrive, they are re-labeled and transshipped to countries throughout the region. Once this occurs, the recovery of the goods is prohibitive.

The fraudulent transaction has a direct impact on the U.S. merchant, since the credit card company notifies the merchant of the fraud only after the goods have been shipped (in some instances weeks later). The merchant, therefore, is now not only responsible for the “charge back” from the credit card company, but he also no longer has control over the merchandise.

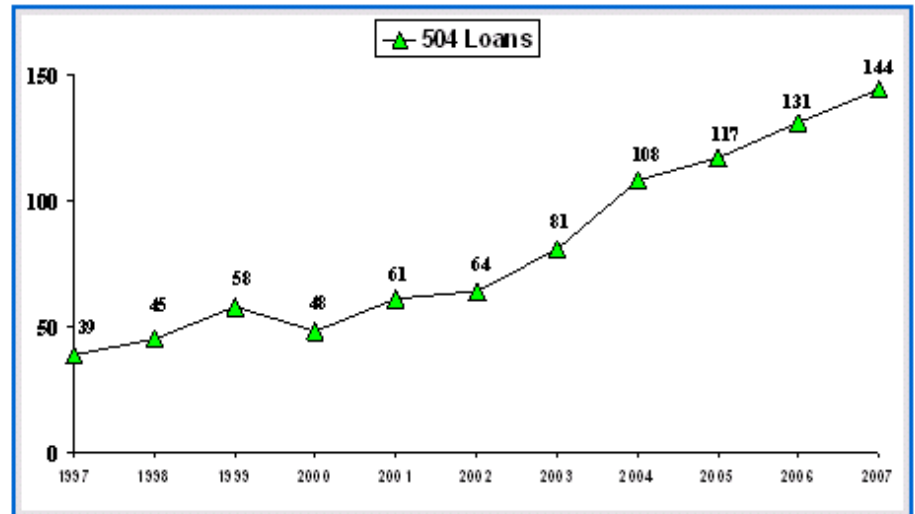
What can you do to protect your business against credit card fraud?

- 1) Work with your card company. Sign up to participate in authentication programs such as Verified by Visa and MasterCard’s SecureCode.
- 2) When taking orders over the phone or Internet, ask the customer for the card’s expiration date and include it in your authorization request. An invalid or missing expiration date can be an indicator that the customer does not have the actual card, but merely the credit card number.

FY '07 SBA Lending Summary

(continued from page 2)

Cleveland District Office Fiscal Year Comparison 504 Loans – FY 2007



3) Use fraud detection tools such as the card’s validation code as part of the authorization process. Be wary of multiple credit card numbers being supplied for purchases from a single IP (Internet Protocol) address.

Be wary of orders charged to multiple cards and destined for the same street address. Be alert for transactions with more than one of the following characteristics: first-time customer, the customer does not appear to have a “working” knowledge of the item requested, “big-ticket” items, multiples of the same item, requests for expedited shipment for items of seemingly low value/importance, and orders shipped to an international address (wherein a simple Internet search reveals that the “Ship To” address is located in the area of airport cargo terminals/freight forwarders).

Protect Yourself. Common sense is your best defense. If the order appears “too good to be true” or if you have questions, check it out. If you receive a credit card order from a new customer in Singapore and have any questions immediately contact: U.S. Commercial Service

Office.Singapore@mail.doc.gov Tel: [+65] 6476-9037 Fax: [+65] 6476-9080

If you have not shipped the order, the Commercial Service can verify the bona fides of the buyer. If you have already shipped the order and have received a charge back, we will work with U.S. Immigration and Customs Enforcement and the Singapore Police Force to recover the goods, if possible.

A little about Singapore. Singapore is currently the 9th largest international market for U.S. goods and services and is a major trading center for firms doing business in Southeast Asia. Singapore is home to more than 1,500 U.S. businesses. The U.S. and Singapore signed a Free Trade Agreement in 2004. Since the signing, U.S. exports to Singapore have increased by nearly 50 percent. The vast majority of transactions occur without problem. However, credit card fraud, as reported to the U.S. Commercial Service, is growing. U.S. firms are encouraged to contact their credit card companies and the Commercial Service of the U.S. Department of Commerce with any concerns. ♦